

Keynote Address: Money Is Getting Tighter

James M. Owendoff
Principal Deputy Assistant Secretary
U.S.DOE Office of Environmental Management (EM)

Good morning. The purpose of my remarks is to try to get you all to question some of your views. But first, a background note... As I was coming over the Monongahela River, I was reminded that my Granddaddy lived around here when he was in his early twenties and worked as a glass blower. He still has about a 200-acre farm near Deep Creek Lake. One of Granddaddy's favorite stories was about two old guys down in Kentucky, call them Charlie and Joe. Charlie had an old mule. The two guys were leaning on the fence together, and Joe asked, "What are you going to do with that mule?" Charlie said, "I am going to run him in the derby [Kentucky Derby]." Joe asked, "You are going to do what?" Charlie said, "I said I am going to run him in the derby." The two repeated the question and answer. Then Joe commented, "man, that mule can't run, what are you going to do? You are going to embarrass him." And Charlie responded, "I know he can't, but the fellowship is going to do him good."

That is the way I feel with you all — I can't run with you all, but the fellowship is going to do me good. I am especially pleased to see industry representatives here. The only way we are going to get innovative technologies implemented and get some of our costs down is by taking advantage of your innovative ideas.

I know that you all are saying, "All right — show me the money. Just show me the money." Well, looking at what we got for our FY 1998 budget request, we did pretty good on showing the money. However, you must understand that the main money is not in technology development; the main money is in cleanup.

If you all have been following the program for the last few years, there has been intense interest not only within the Department, but also in the Office of Management and Budget and from the "Hill," on: what have we gotten out of the \$2 billion in investments that we made in technology development over the past 5 to 8 years? And the answer has been tough for us to demonstrate.

Gerald has been pulling his hair out, and Clyde before him was pulling his hair out, to try to get folks like me (when I was running the environmental restoration program) to come up with some answers. Gerald would say, "Come on, Jim, talk to me, how have you been using these technologies?" And I would just sit there, wringing my hands and say, "Gerald, I'll get back to you later." Then the Hill staffers would ask him, "Gerald, how have you been using this money, how has it been implemented?" Gerald has been saying that he "...has some great demos, and great cost and performance data." Their response has been, "Gerald, that is only \$200 to \$300 million. How have you been influencing the other \$5 billion dollars that we spend annually for cleanup?" And so on.

Anyway, Gerald has been harassing me about what we have been doing. I am going to tell you folks that this is a serious situation. The money is going to dry up. I repeat, the money is going to dry up if we can't demonstrate how we have been using it.

So, what we intend to do with the FY 1999 budget request is to describe, line by line, what innovative technologies or innovative approaches we are using with the actual cleanup, or the remediation, or the treatment of waste, or the stabilization of nuclear materials. Part of what Congress needs to hear is about folks like yourselves and the innovative technologies out there — that are demonstrable, that can be implemented, and for which you have cost and performance data.

I trust everyone knows what we mean by cost and performance data. But if not, within the next couple of days, you will. Cost and performance data says, in about 10 to 12 pages: here is the problem we have, here is the technology we put into place, here is the cost, here were the technology goals we were attempting to achieve, here was the schedule, and here is what we came out with. I believe when one goes to an owner and says, "Here is the technology that I have," that owner will say, "Show me where you have used it before." That is not the basic problem we have here. You all say, "I have the technology, just give me a chance." Well, over the past 4 or 5 years, we have had the chance and we, within the Department, have not asked for the cost and performance data to carry to someone else.

Over the past few years, we have been doing a lot of work with the governors' staffs and other folks in the southern states to try to get reciprocity across the regulatory regions and to get some acceptance there. The big deal is, let's try to get the folks who have the cleanup contracts to use some of our technology. How will we break that barrier where they have the contract to do the work, and they want to use the old tried and true methods — because we tell them that they have to meet certain schedules to get release actions done, and they must meet regulatory compliance schedules. This is a challenge.

Some of the things that we put into place that I think are going to provide opportunities are in the 2006 plan. Within Environmental Management, we are saying what we will get accomplished within 10 years. Again, Congress is asking, "What will you all get done, how big is the problem, when will you be finished, and how much money will it cost? While before this, we just said "Bring in the money and we will do the right thing," that isn't going to work anymore. I believe that in this year's budget request, we took a hit with us getting most of the money in the main line budget and some technology development funding. Congress is saying that they need to see what we will get accomplished.

With that, the sites are pretty well going to have stabilized funding. When I was managing the Air Force program and working at OSD, I was envious of the Department of Energy because that I felt the sites were large enough that they could go to stabilized funding, and within that dollar amount, work it with the regulators and establish priorities. However, within the Department of Defense, installations were so small that the budgets went up and down, depending on a study or if actual cleanup were being done. Within the Department of Energy, there is no

measure of merit that I know of that will allow somebody to split the pie differently among the sites than what we have historically had in the past — in the other words, saying that generally, we got that much money in the past and generally, we will get that much money in the future. If somebody knows of a way to do this differently, I am anxious to listen.

We can all talk trash about relative risk, and everybody has a different way of measuring risk and what it means. So what I try to tell folks is, don't get all churned up trying to resplit the pie. Let's work within each site that will have a stabilized amount of money, and then the challenge is working with the regulators and stakeholders to prioritize the work to be done.

The second thing that we are looking at is how do we have a contract structure such that it encourages cost-effective remediation? I trust many of you are familiar with the contract that is now in the process of being evaluated down at Oak Ridge. This is a management and integration contract that really is more of an integration contract. We expect that the prime contractor will have a workforce of probably 200 to 300 hundred people. They will then sub out the work, a lot of it being fixed-price and some of it being a cost-type contract, but sub out the work in various packages that will be small enough for the various cleanup and treatment opportunities.

Through award mechanisms like this, I trust there will be opportunities for you all. If you are small and you need to team with a larger firm that may have the financial capability, you should see that with this integration contract, we could go out with a lot of smaller, competitive contracts. We will see how that one goes.

I realize that when you are looking at the Savannah Rivers or the Richlands of the world, it is very difficult to get involved. And then to try to get them to put out contracts that you can bid on — because we know that they have certain commitments to the firms that they teamed with to win those contracts. I would recommend to those of you that have technologies to sell that you understand which sites have those particular problem sets and focus on one or two of those sites. Get to know the people who have the responsibilities for those problem sets.

My big thing, for those of you who may not know me, is relationships. In the Forrestal building, I do not use the telephone to talk to anybody, I go talk directly with them. I deal face to face. I hate this thing that people are spending an inordinate amount of time on called E-mail. I believe that E-mail is very, very impersonal. You need to look at each other in the eye so they understand what your capabilities are and what you bring to the table. I do not believe that can be accomplished via E-mail. (By the way, I do read E-mail though for those of you who wonder, and I do know how to log on.)

I deal a lot in personal relationships and I believe that my business is in sales — whether within the building, OMB, Congress, or chatting with you all. Sales is what really makes me tick and gets me interested. So I challenge you to build relationships to understand the people who have the problem sets. Press the representatives at these sites about — How does one get involved when you have the other feds in here? How do I get involved in your site?

My answer to that again is to understand the site that has the problem, whether it is Westinghouse, Keyser Hills, or someone else. Understand who has that problem set, who has the responsibility to try to solve that, and let that individual know what your capabilities are. I would say that preparing cost and performance data is really going to be important for them to even have an interest. If you do not have cost and performance data, you are going to have to figure out how to get one of the technology demos we have. However, I do not believe you have to be limited to thinking, "If I do not have cost and performance on the DOE site, then I am doomed." I don't think that is the case. Keep at it. Do not be limited to thinking that if it is not done on the DOE site, then we cannot look at them.

That is it. Now it is your turn, if you have any questions.

Question: The question I have for you is why not go for some simple projects that can be done in a short period of time, so you can go to Congress and the public and say here are our accomplishments? It seems to me that the proposed projects are longer and more complicated.

Response: Well, we have done that. We have the demo projects. The question is, once you have a demo project, how do you use that to effect follow-on cleanup projects? We have demo projects stacked a mile high.

Question: I am not talking about the demo projects, I am talking about actual projects that you have to get done.

Response: The challenge there is to get the site folks to come in with where and how they have used them. What is interesting is that the site folks have utilized innovative technologies. The question is how to get the folks to understand that it is terribly important to articulate those successes — back through the justifications that go back to the Hill. I believe that we have been using many of the innovative technologies; the problem is to articulate some of that. We have not had a huge success with that, but we have done it.

Question: The greatest difficulty that I have seen as I was touring the site is there is a real disincentive to implement technology at a lot of major sites. It means lower funding, and then they have to lay people off. I even had a guy from the Waste Isolation Pilot Plant (WIPP) tell me last week that some of the major sites are telling him they do not want to be WIPP-certified because as the waste goes away, they are out of a job. So you have a disincentive out there that as long as you maintain the stable pie split, people are just going to sit on the waste. That is a perverse incentive in the system, and what do you do with that? You are one of the guys that could probably have an impact on how to take care of that.

Response: And the answer is, the integrated contract at Oak Ridge.

Question: I think that is part of the answer, I think the other answer, I don't know if we can say TDI (technology development initiative) anymore, but TDI was extra money in the system and it had a catalytic effect.

Response: The challenge on the technology development initiative is, and I thought it was great too, if you want some of that seed money, number one you must couple it with money that is from the program side — either from waste management or restoration or material stabilization. And the other thing you have to do is to say what other locations or what other problems you have on site where you will utilize this technology and if it is successful. So we were getting commitment.

Part of our challenge, and there is no easy way around this, is that in the past 50 years, we had self-performance contracts at a site. How do you turn that around in a matter of a few years? We all understand the actual dynamics; this is not going to happen overnight. We know that we are pushing for more competitive contracts, and that the privatization push was another effort of having to infuse new money and going out with competitive contracts. So it won't happen overnight. It is going to be a combination of those types of contracts and you all need to just go in and do the spade work at the sites, realizing that there is another way of doing things a little bit cheaper.

Question: This is sort of a take off on that comment. From our perspective, one of the perverse incentives seems to be that none of the sites have any incentive to reduce the volume of, for example, transuranic (TRU) waste. None of the contracts seem to mandate that. Most recently, I had the experience of talking with someone responsible for the large volume of TRU, and saying you can decontaminate it and cause it to become low level. We consider you to be competitive if you can do it for \$1,000/m³; that's \$30/ft³. The DOE is suggesting that their life-cycle cost on TRU is \$48,000/m³.

When I said, "Where did this number come from?" he said, "You do not understand. I am only responsible for removing it and putting it in a box. All those other life-cycle costs have no relevance to me what so ever." As long as that attitude persists, it is very difficult to see how life-cycle cost has any real meaning.

Question: Are you familiar with the advanced waste treatment facility at Idaho?

Response: Yes.

Question: Was there volume reduction in the RFP?

Response: Yes, there was. Significant volume reduction.

Question: How does that apply to the specific site that is generated by waste?

Response: Well that is at Idaho.

Question: You said something about M&I coming up to Oak Ridge. We are from greater Denver and Keyser Hills. I want to ask about Rocky Flats, which I think is an M&I if I am not mistaken. How do you feel that is working? What is your personal point of view about this? You need to maybe make a few vice presidents inside those M&I contractors able to make gross amounts of money like \$500,000 bonuses to get those wastes treated. If you walk up to a person and say that I have a technology that will help you get your job done six months faster, and your bonus goes up \$500,000, that would be an incentive.

Response: Number one, what kind of contract is it if you look at as an integration contract, but they had a multiple contractors who went together as a team so they self-performed a fair amount of the work. The Oak Ridge approach, as I said, instead of being a M&I, is more of an integrator — because they are going to have a very small size operation and perform practically none of the work. So therefore, most of the money goes out through subcontracting. As for the performance-based incentives, there has been a lot in the trade press about it. How good is it?

I was telling someone the other day, “You know what, these days it is not too much fun being a fed, especially being a fed and in DOE headquarters and in Environmental Management.” Everybody and his brother has ways on how you can do things differently and better. I have said, what is the incentive for the DOE fed to stick his or her neck out to do something different? I have not found it yet. It is interesting, and if you look at this performance-based incentive, I said if I were an individual out in the field and someone came to me —one of these bright-eyed guys who had an idea — and said, “All right, we have this new contracting that we want you to try.” I would say to him: “You give me the money, give me the people, give me the training, show me the pilot where it has been done, show me the procedure, and then maybe I will think about bringing it into place.”

The expectation factor is extremely high with everybody and his brother telling us how we should do things differently. We certainly took a lot of heat this year on privatization. I believe we are going to continue those things. With respect to your idea of bonuses, we have talked about that for the feds, since the contractor folks already have that ability. One of the things we wanted to do is to ensure that incentives get down to the workers, so that there is some way the workers have the incentive to get the job done. I think we have seen and been encouraged with places like Pinellas or Weldon Springs, where folks realized that these jobs are going to end and we need to move on. I think we are seeing that also at Rocky Flats as the folks realize that these jobs are not a production need for the future.